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SUBJECT: EU: RESPONSE TO DEMARCHE ON IRAN AS AN ENTRY POINT
FOR NABUCCO

REF: STATE 54469

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11. (SBU) On June 2, 2009 Econ Officer delivered reftel demarche to EU Commission officials Heinz Hilbrecht, Director for Security of Supply and Energy Markets at DG-TREN, and Brendan Devlin, Principal Administrator under Hilbrecht charged with shepherding the Nabucco Intergovernmental Agreement (IGA) negotiations. Hilbrecht and Devlin understood U.S. concerns over the inclusion of Iran as a named entry point under the Nabucco IGA. They shared, however, that the wording of the IGA had already been changed to a more generic wording that includes no mention of Iran. After last week's negotiations in Vienna, the text on entry points has been changed to read: "'Initial Entry Points' shall mean the starting points for the Nabucco Project at any (three) points on the eastern or southern land borders of the Republic of Turkey as selected by Nabucco International Company, and, subject to the agreement by the Nabucco Committee in consultation with Nabucco International Company, any other points at the eastern or southern Turkish Border."

12. (SBU) Hilbrecht indicated that the current text reflects concerns over the inclusion of Iran as a named entry point as well as concerns raised by Turkey over the inclusion of Iraq as a named entry point. Devlin indicated that the Commission was disappointed by Turkey's move to exclude Iraqi gas supplies from Nabucco and said the EU would appreciate USG help to facilitate Iraq's connection to Nabucco, at Nabucco tariff prices, not at a price worked out bilaterally between Turkey and Iraq. Devlin stressed that the U.S. and the EU need to keep close contact on this as the Nabucco 50 percent third party access allows any third company to book capacity, and there are no restrictions. Theoretically, an Iranian company could book capacity and Nabucco International could do nothing about it. The key issue will be the amount of demand at each potential entry point; if there is lots of Iraqi demand, then Iran is off the table (on the assumption that eventually there are only two initial entry points) - the other entry point would be Georgia.

13. (SBU) Comment. While true that Nabucco International could not deny capacity to any shipper, including from Iran, this would not preclude the U.S. from pursuing diplomatic initiatives with Member States to discourage any such purchases. End Comment.
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